

# FUNDS AND FINANCING FOR LAND RECYCLING



## CENTER FOR CREATIVE LAND RECYCLING

- Workshops & Webinars
- Policy & Research
- Consulting
- Technical Assistance: EPA TAB grantee
- Online at [www.cclr.org](http://www.cclr.org)

/LandRecycling



/company/center-for-creative-land-recycling



@LandRecycling



CENTER FOR CREATIVE  
LAND RECYCLING

RECLAIM. CONNECT. TRANSFORM.

Sarah Sieloff

[sarah.sieloff@cclr.org](mailto:sarah.sieloff@cclr.org)

Ignacio Dayrit

415.398.1080 | [ignacio.dayrit@cclr.org](mailto:ignacio.dayrit@cclr.org)

# Brownfields Review

- [What are they?](#)
- [Challenges](#)
- [Why they are a problem](#)
- [Redevelopment, Brownfields and funding](#)
- [Due Diligence](#)
- [How EPA and DoH funds and technical assistance can help](#)

# Funds and Financing

## FEDERAL

- [EPA](#)
- [USDA](#)
- [EDA](#)
- [HUD](#)
- [USACE](#)
- [DoT](#)

## STATE

- DoH / RLF DBEDT
- [Housing & Economic Devt](#)

## INCENTIVES

- [New Markets Tax Credits](#)
- [Opportunity Zones](#)

# US Department of Agriculture

Direct and guaranteed loans & some grants for

- **Housing**
- **Community Facilities**
- **Water and Wastewater**
- **Business**
- Tele-Communications (Tele-med & Broadband)
- Rural Electrification
- And More



# Community Facility Loan Program



Eligibility: municipalities, counties, special purpose districts, Indian tribes, Not for profit organizations

To construct, enlarge, extend or improve community facilities in rural areas and towns with a population of less than 20,000



# Community Facility Loan Program

Funds can be used for Health Facilities, Public Safety Facilities, and Public Service Facilities:



- Hospitals, clinics, rehab centers, nursing homes
- Fire stations, multi-service centers, police stations and jails
- Child care centers, community buildings, libraries, schools, roads & bridges, public maint buildings



# Community Facility Loan Program

## Eligibility

- Eligible public entity
- Unable to obtain funds from other sources
- Have legal capacity to borrow
- Pledge security for the loans
- Ability to manage facility
- Have a financially sound system based on taxes, assessments, system revenues, fees or other sources of income to pay all operating and maintenance expenses and to retire the debt and fund the required reserve



## Community Facility Grant Program

- Grant funds are very limited
  - Generally limited to \$50,000
- Subsidizes project development costs
- Grants can be made on a graduated scale of 15%, 35%, 55% and 75% of project costs
  - Percentage based on income level and population, and financial capacity



## HOUSING

- **Single Family**
  - Direct (Very low to low Income)
  - Guaranteed (Low to Moderate Income)
- Mutual Self-Help
- Rehab (Very low Income)
- **Multi-Family**
- Communities of 20,000 or less



## WATER & WASTE WATER

- Eligibility
  - Municipalities
  - Water and/or Sewer Districts
  - Indian Tribes
  - Not for profit organizations
- For a city, town or service area with a population of less than 10,000.
- Construct, repair, expand or improve a drinking water system or a waste water system



## BUSINESS PROGRAMS



- Create and maintain employment and improve the economic climate in rural communities.
  - Generally for <50,000 population
- Business & Industry Loan Guarantee
- Rural Business Enterprise Grants
- Intermediary Relending Program
- Rural Energy for America Program



## BUSINESS & INDUSTRY LOAN GUARANTEE

- Purpose
  - Loan guarantee issued to eligible lender to support commercial financing
- Eligible loan purpose
  - Real Estate, Equipment, Working Capital
- Eligible rural area
  - Generally, city or town of 50,000 or less
- Maximum Loan
  - \$10 million



## Rural Energy for America Program



### Rural Energy for America Program (REAP) Grant and Loan Guarantee Program

Designed to assist farmers, ranchers and rural small businesses with renewable energy and energy efficiency improvement projects.

Grant funds can pay for up to 25% of eligible project costs (maximum grant: \$500,000). Loan Guarantee (up to \$25 million) and/or Loan Guarantee and Grant Combo can pay up to 75% of eligible project costs.

The National Renewable Energy Laboratory (NREL) assists RD with the technical aspects of the projects.



# USDA Rural Development: Contacts

## Maui Office

77 Ho'okele St, Suite 201, Kahului, HI 96732-3516  
(808) 871-5500, Ext. 4

## Kauai Office

4334 Rice St, Room 104, Lihue, HI 96766-1801  
(808) 245-9014, Ext. 4

## **HAWAII STATE OFFICE**

Room 311, Federal Building  
154 Waianuenue Avenue  
Hilo, Hawaii 96720-2452  
808-933-8380 – Fax 808 -933-8327



## ECONOMIC DEVELOPMENT ADMINISTRATION

- Several program areas
  - Physical infrastructure upgrades (Public Works/Economic Adjustment)
  - Reuse of publicly owned buildings (Public Works /Economic Adjustment)
  - Brownfield Inventories/Redevelopment Plans (Planning)
  - Site-specific market feasibility studies (Planning/Local Technical Assistance)
  - Capitalization of Revolving Loan Funds (Economic Adjustment)

Herbert Thweatt [hthweatt@eda.gov](mailto:hthweatt@eda.gov) 808.541.3391  
300 Ala Moana Blvd., Room 5180, P.O. Box 50264, Honolulu, HI 96850



## ECONOMIC DEVELOPMENT ADMINISTRATION

- Applying for Investments – Key Points
  - Proposals must be based on a locally developed comprehensive economic development strategy (CEDs)
  - State, a political subdivision of a state, district organization, Indian tribe, institution of higher education, or a non-profit acting in coordination with a political subdivision of a state
  - Certain economic distress criteria must be met
  - Cost sharing or matching is required



## EDA PARTNERS

- Business Lending, Technical assistance and Infrastructure development assistance
  - State of Hawaii Office of Planning 587-2846
  - Hawaii County Economic Development Board 960-7503
  - Hawaii County Research & Development Office 961-8366
  - Kauai County Office of Economic Development 241-4949
  - Kauai Economic Development Board 245-6692
  - Maui County of Economic Development 270-7710
  - Maui Economic Development Board 875-2336
  - City and County of Honolulu Office of Economic Development 768-5761
  - Enterprise Honolulu 521-3611

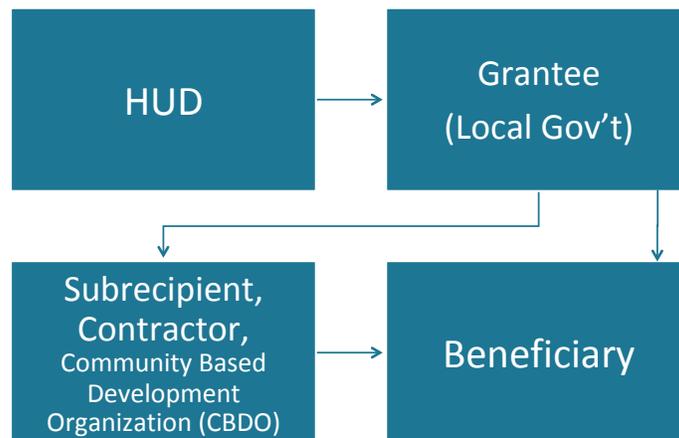


# COMMUNITY PLANNING AND DEVELOPMENT PROGRAMS HOME/CDBG

June 2018

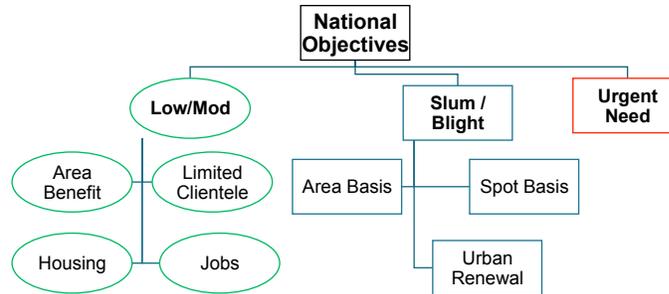


## MONEY FLOW



## CDBG PROGRAM NATIONAL OBJECTIVES

CDBG Primary Objective – To develop viable urban communities, principally for low/mod persons, through decent housing, suitable living environment, and expanded economic opportunity



## CDBG PROGRAM ELIGIBLE ACTIVITIES ACQUISITION

- Includes land, air rights, water rights, rights of way, easements, buildings and other real property improvements
- Purchase, long-term lease (at least 15 years), or donation
- Carried out by the grantee or a public or private nonprofit organization

## CDBG PROGRAM ELIGIBLE ACTIVITIES *(CON'T)* PUBLIC FACILITIES AND IMPROVEMENTS

- ◎ Acquisition, construction, rehab or installation
- ◎ Improvements: energy efficiency
- ◎ Improvements: accessibility
- ◎ Architectural design features and other treatments aimed at improving aesthetic quality (i.e., sculptures, fountains)
- Infrastructure: street, curb, sidewalk, water, sewer
- Neighborhood facilities: public school, library, park, playground, recreation
- Fire protection equip' t
- Special needs population: shelter: homeless, domestic violence; nursing/convalescent home; hospital; halfway house: runaway children, drug offenders, parolees; group home for persons with disabilities; day care center

## CDBG PROGRAM NEW CONSTRUCTION OF HOUSING

- Activities in support of the development of new housing may be eligible
  - Acquisition by public or nonprofit entities
  - Site clearance and demolition
  - Site improvements (if in public ownership)
- In return units are rented at affordable rents (rental housing) or sold (homeownership) to low to moderate income persons



<b>Senior Residence at Kaneohe - 74 units</b>	
HUD CPD funded the following activities	
CDBG – acquisition	\$1.09 M
CDBG - interim financing of new construction	\$2.09 M
HOME - interim financing of new construction	\$3.00 M
HOME - permanent financing of new construction	\$2.24 M



<b>Hale Wai Vista Phase I</b>	
Funding Sources: \$23.8 Million Total Project Cost	
HOME	\$2.96 M
CDBG	\$100,000
Developer Equity	\$50,000
Rental Housing Trust Fund	\$5.50 M
Tax Credit Assistance Program	\$1.78 M
Low Income Tax Credits	\$9.68 M
Permanent Loan	\$3.70 M



**Harry & Jeanette Weinberg Senior Apartments - Lihue Theater  
- 20 one bedroom units**

Total cost: \$3.6 million Funding	
HOME funds	\$2.20 M
State of Hawaii Rental Housing Trust Fund loan	\$834,000
State of Hawaii Rental Housing Trust Fund grant	\$18,500
Harry & Jeanette Weinberg Foundation grant	\$400,000
Federal Home Loan Bank of Seattle grant	\$160,000



**Kalepa Village - 180-Unit Affordable Rental Housing**

Funding Sources: \$39.8 Million Total Project Cost	
HOME	\$7.28 M
HOME Disaster	\$10.10 M
CDBG Disaster	\$1.18 M
State of Hawaii CIP	\$3.00 M
Low Income Tax Credits	\$12.40 M
County of Kauai	\$4.65 M
Private Loan	\$1.20 M

## CHOICE NEIGHBORHOODS

- Revitalizing severely distressed public and/or assisted housing and catalyzing critical improvements in the neighborhood, including vacant property, housing, businesses, services and schools
- Implementation Grant
  - For Transforming Neighborhoods
  - Local governments, public housing authorities, non-profit and for profit organizations
  - \$30M max – Sept 17, 2018
- Planning Grant
  - For Planning
  - Local governments, public housing authorities, non-profit and for profit organizations
  - \$350K max

## SECTION 108

- Used with CDBG
- “Entitlement Communities”
  - Economic Development
  - Housing
  - Community Facilities
- Sample rehab projects - 2015
  - Lorenzo Hotel (old hotel) Dallas TX
  - Faxon Apartments (historic school) Kansas City MO
  - Axis Health (warehouse) Pleasanton CA

<https://www.hudexchange.info/onecpd/assets/File/2015-Section-108-Guaranteed-Loan-Program-Overview.pdf>



# Army Corps of Engineers

- Planning Assistance to States (PAS)
  - City, county, state, tribe, diking district, watershed council
  - Planning for the development, utilization and conservation of water & related land resources
  - Consistent with state and national objectives
  - Supply & demand studies; modeling, water quality, environmental restoration, coastal zone evaluations/management
  - 50% cost share; ~\$25K-\$100K

Milton Yoshimoto Milton.T.Yoshimoto@usace.army.mil  
808.835.4034



## Transportation – BUILD Grants

- Better Utilizing Investments to Leverage Development, or BUILD
- Road, rail, transit and port projects that promise to achieve national objectives
- <https://www.transportation.gov/BUILDgrants/outreach>

## Amounts

- \$1.5 billion multimodal, merit-based discretionary grant program
- Minimum Awards
  - \$5 million for projects in urban areas
  - \$1 million for projects in rural areas
  - No minimum for planning grants
- Maximum Award
  - \$25 million per project; \$150 million per State
- Due July 19

## Competitive projects

- Demonstrated strength in merit criteria
- Project that will enter construction within the period of obligation (Sept. 30, 2020)
- Project has specific timeline for completion
- Presents a clear story and project impact
- Emphasizes improved access to reliable, safe, and affordable transportation in rural areas
- Incorporates innovations in funding and finance
- New partnerships, multi-jurisdictional cooperation, including public-private partnerships

## HAWAII COMMUNITY REINVESTMENT CORPORATION (HCRC)

- Community-based non-profit 501(c)3 (1990)
- Designated Community Development Financial Institution and Certified Development Company
- Financial intermediary for affordable housing, community and economic development
- Assists small businesses, community development entities and multi-family affordable housing owners
- Long-term, below market rate financing
- Hawaii Loan Fund – partnership with Local Incentives for LISC



## HAWAII LOAN FUND

- REAL ESTATE SECURED LOANS - \$5M
- PURPOSE – Finance predevelopment cost, property acquisition, renovations & improvements, construction development, and term loans during project stabilization period.
- TERM – 1 to 10 years with amortization up to 25 years
- COLLATERAL – 1st or 2nd mortgage lien on real property



## HAWAII HOUSING FINANCE & DEVELOPMENT CORPORATION (HHFDC)

- Division of DBEDT
- Low Income Housing Tax Credits
- Rental Housing Revolving Fund
- Hula Mae Multi-Family (HMMF) Tax-exempt Bond program



# NEW MARKETS TAX CREDIT ("NMTC")



## WHAT ARE NMTCs?

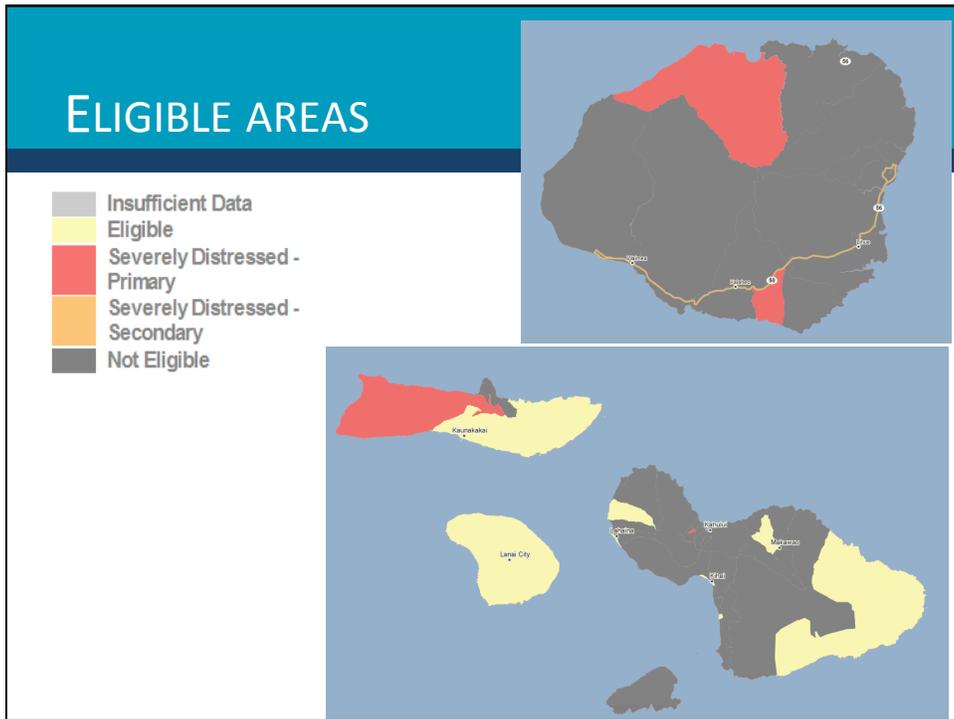
- The NMTC program provides a tax incentive for private sector investment into economic development projects and businesses located in low-income communities.
- Program overseen by U.S. Department of the Treasury and directly administered by the Community Development Financial Institutions ("CDFI") Fund.
- NMTCs are allocated by the CDFI Fund to community development entities ("CDEs").
- CDEs offer NMTCs to investors in exchange for qualified equity investments ("QEIs") for the purpose of making loans to qualified active low-income businesses ("QALICBs")

## NMTC PROGRAM GOALS

- Increase flow of patient, low-cost capital to low-income communities
- Community Benefits:
  - Create/maintain jobs (emphasis on quality jobs)
  - Generate goods and services (education, healthcare, daycare)
  - Promote affordable housing
  - Catalyze development in underserved communities (i.e. Pearl City, Hilo, etc.)
  - Hawaiian Homelands are automatically eligible

## NMTC GUIDELINES

- Location of project must qualify based on 2010 Census
  - Poverty Rate exceeds 20%, or
  - Must be below 80% of area's Median Family Income (MFI)
- Other tests
- Many CDEs look for higher distress levels
- Contact: The Punawai 'O Pu'uhonua or American Savings Bank



- ## PROJECT TYPES
- Eligible projects: commercial, retail, industrial real estate in low income communities, businesses, mixed-use, etc.
  - Ineligible projects: Golf courses, country clubs, massage therapy, gambling or alcohol facilities
  - Can be non-profit or for-profit businesses

## MOLOKAI COMMUNITY HEALTH CENTER

- 56.4% poverty rate; 15% unemployment rate
- Medically Underserved
- Project cost: \$7.4M
- NMTC: \$1.4M



## MT. POSO CoGEN, BAKERSFIELD CA

- 21.3% poverty rate
- Median income 60.3% AMI
- 15.9% unemployment rate
- Energy power plant conversion
- Total Project Cost: \$43M
- NMTC: \$9 million



## Opportunity Zones (OZones)

- Part of **2017 tax reform** - Tax Cuts and Jobs Act
- **Addresses uneven, post-recession economic recovery** by promoting growth through long-term investments in rural and low-income urban communities
- Uses tax incentives to encourage private investment in Opportunity Funds (OF) which **connect investors to distressed communities**.
- **Not a tax program**, it's a tax benefit for individuals and corporations

## Opportunity Funds (OF)

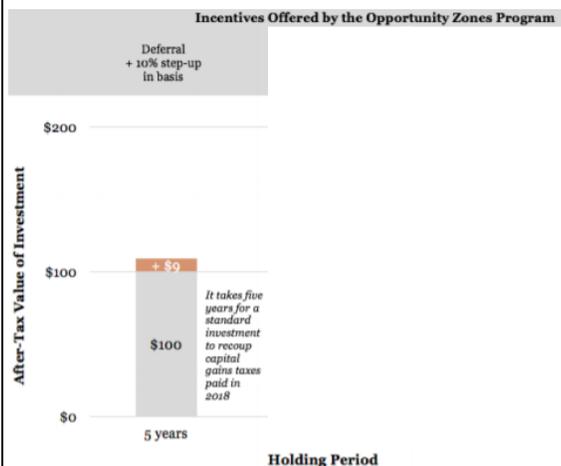
- New class of investment vehicle authorized to aggregate and deploy private investment to support properties in **OZones**
- **Taps \$2 - 6 trillion in unrealized capital gains**
  - Alternative to ~23.8% capital gains tax
  - Solution for investors lacking options to place funds in distressed communities
  - Pooling capital through a fund structure lowers barrier to making investment
- **Fund Managers**
  - Private entities - CDFIs, traditional asset managers, etc.
  - Potentially government and quasi-government entities

## Types of Investments

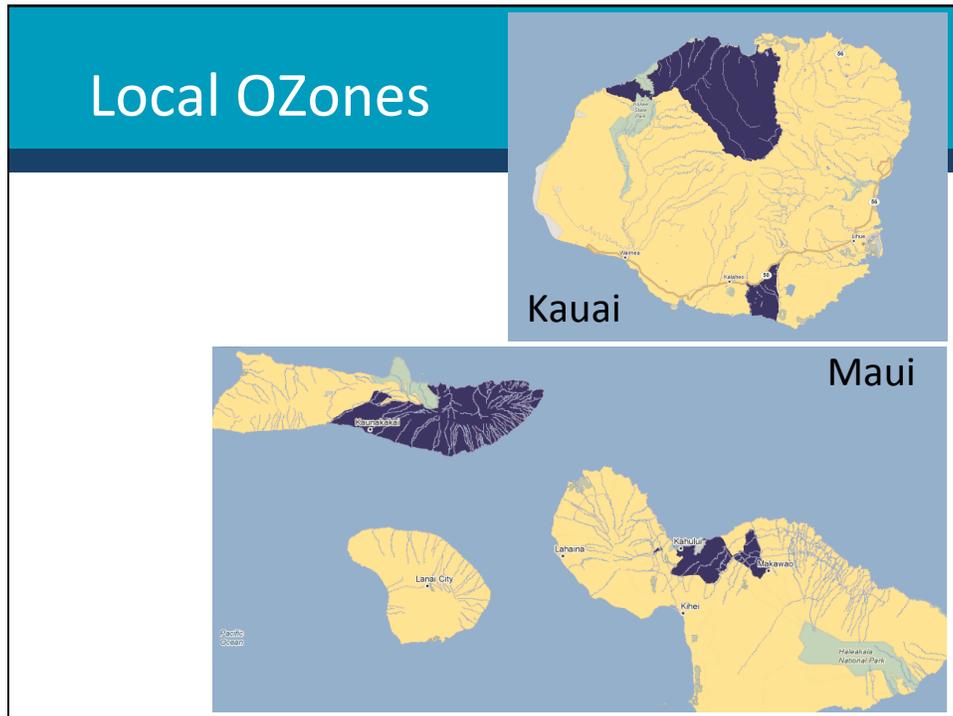
- **OFs invest in OZone Property:**
  - Stock in a domestic corporation
  - Capital or profits interest in a domestic partnership
  - Tangible property used in a trade or business of the Opportunity Fund that substantially improves the property
  - Affordable housing, real estate, infrastructure, and even transit
- **Fund Flexibility**
  - National fund with multiple investments across asset classes/geographies
  - Singular-asset fund
  - Everything in between
- **Type of Capital**
  - Equity

## Why Invest in OZones?

*Investing in an Opportunity Fund vs. a Standard Stock Portfolio*  
 Scenario: A Capital Gain of \$100 is Reinvested in 2018



- Eligibility for tiered capital gains tax benefits reinvested in Opportunity Funds.
- Temporary tax deferral at exit, up to 12/31/2026
- Step-up in basis
  - 5 years = +10%
  - 7 years = +15%
- Gains accrued permanently excluded from taxable income (10-yr min)



- ## Key Dates and Next Steps
- Opportunity Zone Nominations: Done
  - Guidance on Opportunity Funds: ~ Q3 2018
  - Implementation of Law: ~Q4 2019
  - Creation of / Investment in Funds: ~ Q2 2019
  - States and OZone stakeholders
    - Identify shovel ready projects
    - Identify investors
    - Work with CDFIs or establish local fund management